

## **Status Report**

### **Massachusetts Gas Unbundling Collaborative**

#### **I. Introduction**

##### **A. Overview**

By letter dated July 18, 1997 to the Massachusetts natural gas local distribution companies (“LDCs”), the Department of Public Utilities (the “Department”) stated its firm commitment to move toward a competitive gas market as a means to achieve its regulatory goal of ensuring that LDCs provide safe and reliable service at the lowest possible cost. To that end, the Department directed the ten investor-owned natural gas local distribution companies (“LDCs”) to initiate an industry-wide collaborative process designed to develop a common set of principles and procedures for the comprehensive unbundling of the natural gas industry in Massachusetts. In response to that directive, nine LDCs initiated the Massachusetts Gas Unbundling Collaborative (the “Collaborative”) to explore and develop generic principles to achieve the goals set forth by the Department.<sup>1</sup>

Over the past three months, approximately 100 people representing a broad array of stakeholder interests including marketers, LDCs, interstate pipelines, producers, energy consultants, unions, consumer advocates and government entities, including the Department, the Massachusetts Attorney General, and the Massachusetts Division of Energy Resources have participated in the Collaborative.<sup>2</sup> Members of the Collaborative appointed John Howe as facilitator for the substantive discussions and under his guidance, held eight, day-long meetings to discuss and develop an industry structure that meets the Department’s objectives.

In its July 18, 1997 letter, the Department also directed the LDCs to submit, on or before, November 15, 1997, a comprehensive progress report outlining the status of all of the issues that have been the subject of discussion in the Collaborative. This report represents the efforts of the Collaborative participants to summarize the status of their discussions. The issues under discussion are exceedingly complex and a wide array of interests are represented in the Collaborative. Perspectives on the issues diverge significantly among the participants and as a result the process of reaching consensus involves compromise by all involved in the discussions. Accordingly, although this report describes the status of Collaborative discussions, it in no way attempts to represent the specific positions of individual participants. Moreover, although the report attempts to describe consensus among various stakeholder groups, the fact that some individual members of those groups may not necessarily agree with particular positions of the generalized stakeholder group is not

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<sup>1</sup> The tenth LDC, Bay State Gas Company (“Bay State”), was one of the ten LDC signatories to the August 7, 1997 letter to the Department, and Bay State representatives have attended all of the Collaborative meetings. However, Bay State has been hosting its own collaborative discussions since April 1997, to address many of the same issues that face the Collaborative. The Bay State collaborative is designed to result in a company-specific filing for implementation on the Bay State system. As part of Bay State’s involvement in the industry-wide Collaborative, it has made the meeting notes from its own collaborative available to Collaborative participants, but has not participated in the funding of the industry-wide effort.

<sup>2</sup> The participant/distribution list for the Collaborative is attached.

reflected in this report. Therefore, representations made herein are not intended to bind any of the participants with regard to the positions they may choose to advocate in this or any other future proceeding before the Department.<sup>3</sup>

Although some amount of unbundled transportation service has been available in the Commonwealth for nearly ten years, the pace of change has accelerated, both nationally and in the state. Over the past two years the gas industry in Massachusetts has seen two major unbundling initiatives considered by a wide range of stakeholders. Much has been learned from those efforts and the Collaborative has looked to those experiences in developing a sensible and workable industry-wide restructuring model.

In the last rate case filed by Boston Gas Company (“Boston Gas”), a comprehensive unbundling and restructuring proposal was advanced. Although the long-term issues were not resolved in Phase I of that case, the settlement discussions and the formal positions taken by the parties in that case highlighted the issues to be addressed in any future effort to restructure the natural gas industry in Massachusetts.

In addition, certain participants in the industry-wide Collaborative are also participating in Bay State’s 1997 Customer Choice Collaborative, which entered a settlement phase on September 25, 1997, to negotiate an unbundling filing for Bay State’s Massachusetts service areas. The Bay State discussions have contributed to the knowledge and expertise of various stakeholders who are key to the success of the industry-wide Collaborative.

The Collaborative recognizes and supports the need to move the gas industry to a more competitive structure that provides all customers with meaningful access to competitive markets, consistent with legitimate public-policy objectives to ensure a smooth transition to competition and to provide for continued consumer protections and low-income services. On balance, the reason for embarking on this effort is the judgment that a competitive market structure will lead to lower prices and enhanced services. Therefore, the focus and objective of the Collaborative has been the development of an industry structure that will encourage competition for the benefit of all consumers.

The following Status Report summarizes the progress to date of the ongoing discussions within the Collaborative which have been focused on the objective of effecting a comprehensive restructuring of the gas industry in Massachusetts in a way that that will encourage the development of a competitive market consistent with the Department’s regulatory goal of ensuring that LDCs provide safe and reliable service at the lowest possible costs. The Department has described the following principles as important to the success of a competitive market:

- a competitive gas market would: (1) provide the broadest possible choice;
- (2) provide all customers with an opportunity to share in the benefits of increased

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<sup>3</sup> With this possibility in mind, participants may file individual comments responding to the Status Report with the Department.

competition; (3) ensure full and fair competition in the gas supply market; (4) functionally separate supply from local distribution services; (5) support and further the goals of environmental regulation; and (6) rely on incentive regulation where a fully competitive market cannot exist, or does not yet exist.

Department Letter of July 18, 1997, at 2.

Significant progress has been made by the Collaborative since its first meeting on September 15, 1997. Participating stakeholders have formed Working Groups to address issues that need to be resolved both in the near and long term, identified objectives and discussion issues within those groups, and established a process for continued progress on these issues. To date, the Collaborative has focused on four major issue areas: (1) Capacity Disposition; (2) Rate Unbundling; (3) Enrollment, Billing, Termination and Information Exchange Procedures; and (4) Consumer Protection, Social Programs and Supplier Certification, each of which is described in some detail below. It is anticipated that even if a general structure is adopted on a state-wide basis, the structure should be flexible enough to permit implementation details to vary by LDC to accommodate the unique circumstances of each service territory. However, it is also anticipated that the similarities would far outweigh the differences so that customers, marketers and pipelines would essentially be dealing with a uniform market structure within the state.

## **B. Summary of Process**

The Collaborative has held eight, day-long meetings since its initial meeting on September 15, 1997.<sup>4</sup> At the September 15 meeting, the Collaborative identified several issues to be addressed by Collaborative participants: (1) rate unbundling; (2) terms and conditions; (3) capacity disposition; (4) nominations and balancing; (5) ancillary services; (6) customer protections and social programs; (7) interruptible transportation; (8) supplier qualifications; and (9) curtailment principles. As a result, participants agreed to establish six Working Groups to discuss and resolve issues: (1) Capacity Disposition; (2) Rate Unbundling; (3) Consumer Protections/Low-Income; (4) Supplier Registration;<sup>5</sup> (5) MBIS; and (6) Information Exchange.<sup>6</sup> Each Working Group is co-chaired by an LDC representative and a non-LDC representative.

On September 26, 1997, the Collaborative appointed John Howe as the facilitator for the group, further discussed the appropriate schedule for moving ahead, and held Working Group meetings to designate co-chairs and to identify issues for discussion. On October 3, 1997, the LDCs made a presentation to familiarize all participants with the basic configuration and characteristics of the natural gas distribution system in Massachusetts in order to enhance the quality of the capacity

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<sup>4</sup> Minutes of the eight meetings are attached.

<sup>5</sup> The Supplier Registration Working Group was later combined with the Consumer Protection/Low-Income Working Group.

<sup>6</sup> The MBIS Working Group and Information Exchange Group were later merged and renamed as the Enrollment, Billing, Termination and Information Exchange Working Group.

disposition discussion. Such presentations included a review of the following items: (1) loading sequence on a peak day; (2) seasonal usage; (3) storage; (4) role of on-system interruptible service; (5) manner in which hourly load variations are managed (peak day and seasonal) given existing constraints; and (6) an explanation as to which resources/assets should be reserved for system integrity. Representatives from the interstate pipelines (Tennessee Gas Pipeline, Duke Energy/Algonquin Gas Transmission Company and CNG Transmission Corporation), competitive marketers and customer groups also made presentations.

In addition to the presentations, the LDCs have also provided a variety of information to Collaborative participants, including summaries of pertinent information from their respective long-range forecast and supply plans, gas supply statistical data, and estimated capacity path costs.

On October 8, 1997, the Collaborative held a discussion on Capacity Disposition issues where conceptual proposals were made by several participants. The proponents of the various capacity disposition models responded to questioning by Collaborative participants. A sub-committee was established to design a standard nomination form to be used by all LDCs in the 1997-1998 heating season. Working Group meetings were held for further discussion of issues identified in the September 26, 1997 meeting.

The October 17 and October 24 meetings were devoted entirely to a discussion of Capacity Disposition issues. The discussions revolved around the merits and drawbacks of the various proposals set forth by the nine LDCs and the customer/marketer representatives. With regard to the broad principles of a transition period, there was general consensus that: (1) Massachusetts is currently a capacity-constrained region on peak; (2) LDCs need to retain sufficient primary capacity to deliver gas to their city gates (although the quantity is undetermined); (3) the responsibility for procuring or renewing upstream capacity should remain with the LDCs at least through the transition period; (4) customers have a right to their pro rata slice of capacity and such capacity should be made available to converting customers; (5) no customer should face new costs without a corresponding opportunity for savings; (6) LDCs need to retain the tools necessary to operate the distribution system (especially on peak); (7) a defined transition period to a fully competitive market is appropriate; and (8) the transition period should be monitored by state government agencies. No consensus was reached as to the nature and duration of the transition period.

The Collaborative met on October 30, 1997 to continue discussions on capacity disposition and to hold meetings of the Working Groups to further progress on those fronts. On October 30<sup>th</sup>, the Rate Unbundling Working Group convened for the first time and established four possible stages of the rate unbundling process, further discussed below. The November 6, 1997 and November 14, 1997 meetings were used to discuss, draft and finalize this Status Report for the Department.

## **II. Review of Substantive Issues Addressed by Working Groups**

### **A. Capacity Disposition**

LDC Co-Chair: Robert Keegan  
Keegan, Werlin & Pabian, LLP

Non-LDC Co-Chair: Rebecca Bachelder  
AllEnergy/Market Access Coalition

Collaborative participants discussed and evaluated a number of capacity disposition proposals with the overall goal of designing a workable capacity-release program that would preserve necessary resources, minimize transition costs, and provide an appropriate level of flexibility to encourage the growth of the competitive market. The establishment of such a program necessarily involves the delicate balancing of many competing interests and values. Throughout the past three months, Collaborative participants have committed the time and effort to gain an understanding of the needs and constraints of individual stakeholders and stakeholder groups.

Marketers have indicated that they need the flexibility to choose the amount of capacity and particular capacity paths to efficiently and economically serve their new customers. Marketers desire operational and administrative simplicity and the ability to choose gas supply sources to suit their individual needs. Marketers also stated that they desire some level of capacity price certainty in order to price product offerings for their customers.

Pipelines and LDCs bear the responsibility of ensuring the operational integrity of their pipeline and distribution systems, while minimizing administrative costs. Pipelines and LDCs also stated that they need to ensure that all distribution customers and/or suppliers have access to resources necessary to the provision of reliable service. LDCs have emphasized that they need to retain the flexibility to reoptimize their remaining capacity assets so as to achieve the maximum value of those assets and minimize or avoid transitional capacity costs.

Customers stated their need for the opportunity to pursue the economic advantages offered by a competitive market and the flexibility to pursue such advantages in a manner that best suits their needs and interests. However, for many reasons, some customers may not be able to obtain the benefits of the competitive market on an equal footing with other customers. Therefore, a workable capacity disposition program should ensure that capacity-related transition costs do not substantially disadvantage customers who are unable to access the competitive market.

Collaborative participants acknowledge that it is only through full discussion and debate that the many complex issues surrounding the establishment of a workable capacity disposition program can be resolved. Collaborative participants have worked diligently to identify areas of common ground to move that debate forward. Based on the discussion of these issues within the

Collaborative, the following objectives have been identified as important in the design and implementation of a workable capacity disposition program:

1. Provide customers and their suppliers with flexibility in choosing the type and amount of capacity they need to meet their requirements.
2. Strictly limit the degree to which capacity-related costs are shifted both between and within customer classes.
3. Maintain the availability and reliability of existing primary, firm capacity for the benefit of customers during the transition to a fully competitive capacity market.
4. Allow for recovery of all prudently incurred non-mitigable transition costs through a non-bypassable charge applied to all customers eligible to transport.

Collaborative discussions centered on the identification of conceptual frameworks that have the potential to provide a workable capacity disposition program consistent with the identified objectives. Stakeholders expressed their preferences for and concerns with specific proposals including mandatory capacity release, voluntary capacity release, the direct auctioning of capacity, the auctioning of capacity options, the transfer of capacity management responsibilities and the creation of an independent statewide capacity management authority.

The Collaborative as a whole, and within sub-groups, engaged in productive discussions to identify a conceptual framework that would meet the overall objectives of the Department and the participating stakeholders. Although no consensus has been reached as of this point, clear commitment to the overall goals of the Collaborative and to the ongoing debate has been demonstrated by all stakeholders. Thus, Collaborative participants will continue to consider measures to meet the objectives of the Department and other stakeholders.

## **B. Rate Unbundling**

LDC Co-Chair:	Henry LaMontagne Commonwealth Gas Company
Non-LDC Co-Chair:	Lee Alexander Dickstein, Shapiro, Morin & Oshinsky Market Access Coalition

### **1. Background**

In its letter of August 18, 1997, the Department stated that currently there are five investor-owned LDCs that do not have fully unbundled rate tariffs: (1) The Berkshire Gas Company; (2) Colonial Gas Company; (3) Commonwealth Gas Company; (4) Fitchburg Gas and Electric Light Company; and (5) North Attleboro Gas Company. The Department further stated that it expects these LDCs to submit fully unbundled rates for each rate class to the Department for review and approval, for effect on November 1, 1998.<sup>7</sup>

Rate unbundling issues have been discussed at length by the Collaborative participants. This section reports on those discussions and proposes a process to establish unbundled rates for effect by November 1, 1998, which includes LDC filings at the Department on or before April 15, 1998.

As a first step, Collaborative participants have reached a general consensus on a methodology for submitting new unbundled rate tariffs in a simple “compliance” type filing, as described below. The objectives for this submittal are: (1) to provide for revenue neutral unbundled rate tariffs; (2) to reduce the potential for lengthy litigation; (3) to reflect recent cost and usage information; and (4) to limit cost shifting among rate classes.<sup>8</sup>

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<sup>7</sup> The Collaborative recognizes that Section 193 of H-5137, the restructuring legislation that is awaiting enactment by the Governor, includes a provision that would amend G.L. c. 164 in a way that could affect the timing of rate unbundling. See G.L. c. 164, § 1D (proposed). The Working Group will quickly address the impact of the legislation on the schedule set forth in this report.

<sup>8</sup> This proposed methodology would not prohibit an LDC from filing for a base rate increase, in accordance with the applicable laws and regulations, and proposing unbundled rates consistent with such a request. It is acknowledged that a request for a base rate increase may be fully litigated.

## 2. Description of Initial Rate Unbundling Methodology

Collaborative participants have reached a general consensus as to the methodology to be applied as an initial step in the rate unbundling process. First, any embedded gas costs currently in base rates would be moved from base rates to the Gas Adjustment Factor (“GAF”) portion of the Cost of Gas Adjustment Clause (“CGAC”). Such costs would include: (1) gas supply related local production and storage costs; (2) gas supply planning and acquisition costs; and (3) bad debt expense associated with gas cost recovery. Gas supply related costs, not currently included in the CGAC, would be removed from base rates on an average per unit basis and recovered through the CGAC on an average per unit basis. The CGAC would apply only to the remaining sales customers. Finally, a new Local Distribution Adjustment Clause (“LDAC”) would be established as a mechanism to recover, from all customers, certain non-gas supply items formerly recovered through the CGAC, such as environmental remediation costs, FERC Order 636 transition costs, demand-side management costs and interruptible transportation margin credits.

## 3. Concerns with Rate Unbundling Issues

Some members of the Collaborative expressed concerns that the method proposed above, although simple and revenue neutral, may not provide for cost-based unbundled rates. Such concern focused on two areas: (1) the subtraction of the average embedded CGAC value from the current rate schedules; and (2) the removal of gas supply related costs from the base rates on an average basis. Certain participants stated that class-specific CGAs based on load characteristics are critical in offering unbundled services to all customers. Other participants are concerned about the possible rate implications and customer impacts of class-specific CGA's.

Some participants suggested that in a fully allocated Cost of Service Study (“COSS”), these costs would not have been allocated to the various rate schedules on an average basis. Rather, such costs have been allocated using factors which reflect specific class usage patterns. The implications of this concern are that: (1) class-specific CGAC factors would be required to implement unbundled rates; and (2) some level of cost shifting between rate classes may result.

To determine the magnitude of the difference between average and allocated costs, the filing LDCs have agreed to review the relative allocation of gas and gas-related costs resulting from the application of cost allocators to each class in the company's last rate case to determine the variation of those cost allocations from the average costs being moved to the CGAC under the first step of the process outlined above. This analysis is designed to provide an understanding of the disparity between average seasonal gas costs being moved to the CGAC and the level of gas and gas-related costs allocated to customer classes in each company's most recent rate case.

Once this exercise is completed, and if serious problems appear to exist, the Rate Unbundling Working Group will convene to discuss resolution of the issue. Collaborative participants agreed that the LDCs would use a recent representative period to perform this analysis. All stakeholders will have the opportunity to review the resulting analysis.



4. Cost of Gas Adjustment Clause Review

The Collaborative also discussed the continuing validity and necessity of the CGAC. Although most LDCs are currently operating under the standard CGAC, it was felt that a generic review of the CGAC deserves consideration. Most of the Collaborative participants suggested that any modification to the CGAC should be viewed with an eye toward the eventual exit from the merchant function by the LDCs and the elimination of the CGAC.

5. Gas Supply Related Services

Collaborative participants agreed that a workable system for the provision of gas supply services, such as balancing, peaking, and backup service is necessary for full customer choice to be effective. To date, the Collaborative has not had the opportunity to discuss how these services would or could be provided. However, Collaborative participants have agreed to develop the framework that will be used to design these services. In addition, because the offering of these services needs to be consistent with the capacity assignment structure that participants agree to, these issues will be discussed, as determinations are made with regard to upstream and downstream capacity assignment.

6. Unbundling of Distribution Services

During Collaborative discussions regarding the further unbundling of distribution services such as metering, billing and information services (“MBIS”), certain participants suggested that the unbundling of these services would be taken up in the next stage of unbundling. This would affect all ten LDCs, since no LDC has unbundled these services. No timeline was discussed, but Collaborative participants have agreed to work to develop a consensus on these issues.

**C. Enrollment, Billing, Termination and Information Exchange**

LDC Co-Chair: Robert Werlin  
Keegan, Werlin & Pabian, LLP

Non-LDC Co-Chair: Rebecca Bachelder  
AllEnergy/Market Access Coalition

In developing model terms and conditions, the Enrollment, Billing and Information Exchange Working Group worked to identify and resolve a variety of issues, which often involve the competing interests of business necessity and the protection of customer privacy. The Group was also cognizant that a number of these issues are going to be addressed, first in the upcoming electric restructuring legislation, and second in the electric model terms and conditions between utilities and customers and between utilities and competitive suppliers to be issued by the Department. The recommendations of the Collaborative regarding these issues for gas will necessarily follow.

Going forward, it is the intent of the group to: (1) analyze legislative and regulatory policy for the electric industry; (2) recommend application of those policies where appropriate to the gas industry; and (3) identify areas where gas business policies should deviate from electric business policies and for areas of divergence, explain the reasons for the divergence and make recommendations. The group plans to evolve into an electronic data exchange group that will determine the types of information that will be exchanged between suppliers and utilities and the procedures for accomplishing such transfers similar to the electric industry systems.

The Group has identified the following list of the business issues to be resolved:

(1) Pre-Enrollment Issues

- (a) What authorizations are required for marketers to receive customer information from the utility?
- (b) How long must a supplier maintain records on authorizations?
- (c) Must the utility keep copies of authorizations?
- (d) What information does a customer authorization entitle the marketer to receive?

(2) Enrollment, Switching and Termination Issues

- (a) How do we define a customer?
- (b) What authorizations will be required to enroll a customer?
- (c) If a customer authorizes a marketer to act as his agent, what customer interface if any is necessary between customer, marketer and LDC to effect enrollment after agency is achieved?
- (d) How long must a supplier maintain records on authorizations?
- (e) Must the utility keep copies of authorizations?
- (f) Will the utility enroll customers on-cycle, off-cycle, and/or on a calendar basis?
- (g) Does off-cycle or calendar enrollment require a special meter read? Will an estimate work?
- (h) Is the customer required to pay a fee upon enrollment if the enrollment is (1) on-cycle, (2) off-cycle, (3) calendar? Does there need to be an actual meter read? Is an estimated meter read acceptable?
- (i) What information are LDCs and/or marketers required to provide customers at the time of enrollment?
- (j) Are enrollment requirements comparable to those required for sales service?
- (k) If two or more marketers enroll a customer in the same month, which has priority, the first or the last?
- (l) What dispute resolution issues exist if any?
- (m) What metering requirements exist prior to initial enrollment?
  - 1. For monthly balancing customers.
  - 2. For daily balancing customers.

- (n) Can the Marketer terminate customers on-cycle, off-cycle, or on a calendar basis? Can the customer terminate his marketing arrangement on-cycle, off-cycle, or on a calendar basis?

(3) Meter Reading and Billing Issues

- (a) Who can or must bill a customer, and for what services?
- (b) How often does a marketer get meter reading data, if at all?
- (c) If an LDC bills for a marketer, do they calculate the bill or receive an amount to bill? If the marketer bills for LDC, do they calculate the bill or receive an amount to bill?
- (d) What is required to be printed on a bill:
  - 1. if LDC bills for supplier?
  - 2. if supplier bills for an LDC?
  - 3. if each render separate bills?
- (e) How often must an LDC provide customer reads to a marketer?
- (f) Will estimated reads be acceptable if actual reads cannot be obtained?
- (g) If single bill options are provided, how are partial payments allocated?
- (h) If single bill options are provided by a marketer, what credits come from LDC?
- (i) Which consumer protection regulations apply to suppliers and which don't?

(4) Operations Information

- (a) What nomination deadlines are required?
- (b) Who is responsible for balancing, the customer, marketer or the utility?

(5) What information should be posted on Web Sites?

- (a) Regulations governing utilities and competitive suppliers,
- (b) Terms and Conditions of service for customers and competitive suppliers,
- (c) Currently effective rates and tariffs, including gas adjustments,
- (d) Standard agreement forms,
- (e) Proposed rates and tariffs, including gas adjustments,
- (f) Contacts for questions related to supplier enrollment processes, billing processes, and energy delivery processes,
- (g) Meter reading schedules,
- (h) Billing schedules
- (i) Current unaccounted for or line loss percentage,
- (j) Balancing short and long positions and cashout prices, daily and monthly.

**D. Consumer Protection, Low-Income, Supplier Registration**

LDC Co-Chair:	Robert Keegan Keegan, Werlin & Pabian, LLP
Non-LDC Co-Chair:	Becky Merola Enron Corporation

The Consumer Protection/Low-Income/Supplier Registration Working Group assigned to address consumer issues met on September 26 and October 8, 1997, and reported to the Collaborative at large on October 30, 1997. The Group identified several issues including: (1) affordability; (2) social programs/low income qualification; (3) customer education; (4) application of existing statutory and regulatory consumer protections to suppliers; (5) the need for new consumer protections; and (6) obligation to serve.

The general areas of consensus included the following:

1. Statutory and regulatory-based protections, as well as low income subsidies within the consumer/LDC relationship, should continue.
2. The Department's billing and termination protections and procedures for monopoly services will be maintained in an unbundled environment.
3. The LDC retains the obligation to deliver natural gas reliably and safely.
4. CGA service will be continued in a transition to a competitive market. During a transition, default service will be initially the responsibility of the LDC although, ultimately, the gas supply for default service will be competitively sourced.
5. Consumer education as to the substance and timing of unbundling should be a shared effort of all stakeholders.
6. The transition for all consumers to a competitive environment should appear as "seamless" as possible.

As a general matter, the participants acknowledge that there is an existing body of consumer protection regulations and laws and that establishing consumer choice of a gas supplier should not affect the applicability of those laws to the current distributor-customer relationship. In addition, the pending draft electric restructuring legislation may have an impact on consumer protection and other consumer issues addressed by the Working Group. Therefore, it would be premature for the Working Group to make any recommendations at this point. The Working Group will continue meeting in the coming months to reach a more comprehensive agreement.

The Working Group has reviewed the Department's July 23, 1997 letter regarding supplier registration. Together with the electric legislation and the Department's model rules for electric restructuring, the Department's letter provides a rough idea of the Department's policy in regard to supplier registration. LDCs and consumer representatives are of the view that supplier registration is a necessary part of transitioning to a competitive environment. Suppliers have taken the position that registration is not necessary in a competitive market. However, Suppliers have suggested that should registration be required, suppliers believe it should be implemented in the form of light-handed, indirect regulation through provisions in LDC tariffs and that registration should not be a basis for regulation of gas suppliers. Suppliers maintain that because gas suppliers have over ten years of experience in successfully serving Massachusetts commercial and industrial consumers without regulation, there is no need to develop gas supplier registration requirements at this date. In addition, because there are significant differences between the gas and electric industries, policies from one industry may not necessarily carry over to the other. The Working Group also considered a two-tiered system in which there would be no registration for suppliers serving large commercial and industrial customers. The Working Group has not reached a consensus on this issue and will continue to monitor the legislation on the electric side.

The Working Group discussed preliminarily the obligation to serve and designation of supplier of last resort. Several issues were raised in these areas, including whether the default service obligation may be competitively sourced or provided by the LDC on a cost-of-service basis. The consumer representatives favor price stability and thus favored cost-based service. The pending electric legislation would require the utility to provide a regulated service. However, many distribution companies are outsourcing their default service. Thus, the Working Group has discussed whether there is a need for using an alternatively-priced CGAC during the transition to competition, with competitive bidding as the ultimate solution.

With regard to affordability, consumer representatives seek to maintain, at least, the current levels of discounts and would like to revisit the discounts to see if the levels are appropriate. The Working Group will also examine other low income issues.

In upcoming sessions, the Working Group also plans to discuss supplier creditworthiness, residential deposits and interest on arrears as well as DSM programs both in general and as they apply to low-income customers, market transformation programs, and customer education programs. Working Group members agree that customer education should be a shared effort including all stakeholders and state agencies and that the form and scope of customer education could be guided by the electric legislation.

### **III. Future Process and Agenda**

After submission of the Status Report to the Department, it is the intention of the Collaborative to continue to move forward to resolve issues collaboratively and to develop a comprehensive unbundling plan applicable to Massachusetts LDCs to begin implementation by November 1, 1998. For purposes of focusing on issues in the appropriate order and with parties representing the appropriate expertise, we have separated the issues into two categories. Track 1 will cover all operational issues with the goal of producing unbundled tariffs applicable to marketers and consumers including model terms and conditions governing operational aspects of transportation, capacity assignment, marketer services and default service. Track 2 will include all consumer issues with the goal of producing tariffs for terms and conditions applicable to customers. It is anticipated that small working groups would meet on a weekly basis to develop a detailed proposals that address each of these issues. The working group proposals would then be discussed, modified and finalized in full Collaborative meetings scheduled for December 22, 1997 and January 13, 1998. The following table lists the various issues that will be covered by each track:

#### **Track 1 Operational Issues**

##### Capacity Disposition Sub-Group

- Capacity Assignment Methodology
- Reliability Issues
- Re-Contracting Issues
- Capacity for load growth

##### Model Terms & Conditions Sub-Group

- Scheduling and Balancing
- Gas Services for Marketers
- Default Service

##### Rate Unbundling Sub-Group

- Tariff Unbundling Methodology
- Cost-shifting Issues

##### Interruptible Transportation Sub-Group

#### **Track 2 Consumer-Related Issues**

- Enrollment and Billing
- Information Exchange
- Consumer Protection
- Low-Income Service
- Supplier Qualification

- Unbundling of Billing, Credit  
and Collection Services

Some of the key milestones are as follows:

### **Milestones**

<b>TARGET DATE</b>	<b>OBJECTIVE</b>
January 16, 1998	Rate Unbundling Report filed with the Department, detailing the methodology and approach to be adopted by five LDCs ordered to file unbundled rates.
February 15, 1998	Agreement by Stakeholders on the Generic Unbundling Plan and Transportation Program
March 15, 1998	Final Report filed with the Department on Generic Unbundling Plan, including Model Terms and Conditions for customer transportation, capacity assignment, and marketer services. <sup>9</sup>
April 15, 1998	Tariffs filed with the Department to functionally separate gas merchant and distribution services by the five LDCs ordered to unbundle rates by 11/1/98
September 1, 1998	Customer Education Program begins
September 15, 1998	Pre-enrollments begin
November 1, 1998	Implementation of Customer Choice

Going forward, the meetings will be organized as follows:

- Meetings of the greater Collaborative will be held once a month to update the greater group on subgroup issue resolution and receive comment on subgroup proposals.
- Subgroup meetings will follow two tracks in order to resolve the policy and business issues. There will be an Operational Track and a Consumer-Related Issues Track.
- Each track will meet once per week. The consumer-related issues track will begin to meet upon passing of the electric restructuring bill or the second week in December, whichever comes first.
- Subgroup meetings will occur on consecutive days where possible and in downtown Boston locations at the facilities of various local participants in order to accommodate out-of-town participants.

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<sup>9</sup> LDCs that have filed and received approval to implement unbundling prior to March 15, 1998 may file separately indicating how their tariffs would change to reflect the collaboratively developed Model Terms and Conditions.

A schedule of meetings for the months of November and December is as follows:

<b>Track 1</b>	<b>Track 2</b>
<b>Operational Issues</b>	<b>Consumer Issues</b>
December 2*	December 11
December 10†	December 18
December 17‡	January 7
January 6	

\* Capacity Disposition Sub-Group

† Morning Session: Update on Capacity Disposition (1 hour)  
Rate Unbundling Sub-Group  
Afternoon Session: Model Terms & Conditions Sub-Group  
Interruptible Transportation Sub-Group

‡ Morning Session: Capacity Disposition Sub-Group  
Afternoon Session: Preparation for summary report to full Collaborative on  
December 22, 1997

The next full Collaborative meeting is tentatively planned for Monday, December 22, 1997.  
Another full Collaborative meeting is scheduled for Tuesday, January 13, 1998.



**Status Report  
on  
The Massachusetts Gas Unbundling Collaborative**

**TO:  
Department of Public Utilities  
100 Cambridge Street, 12<sup>th</sup> Floor  
Boston, Massachusetts 02202**

**Facilitator: John B. Howe**

**November 21, 1997**